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**Gutierrez Remarks As Prepared for Delivery:**

*Tuesday, June 16 Press Conference Announcing Legislation to Hold Accountable "Too Big To Fail" Banks*

Later today, I will be introducing the "Bank Accountability and Risk Assessment Act of 2009." This legislation will change the way that the FDIC charges premiums to federally insured banks in order to capitalize the Deposit Insurance Fund.

Specifically, my bill will do two things: First, it will create a risk-based assessment process for all insured banks. Second, it will establish a special annual risk premium for the "too-big-to fail" banks that represent a systemic threat to our financial system.

I am recommending these changes because I believe that our current system disproportionately advantages the largest institutions at the expense of small banks. For example, under the current system, the FDIC determines the regular quarterly premiums for each bank based only on the domestic deposits held by the bank, rather than on the bank's total assets. As a result, banks with assets of \$1 billion or less pay assessments on nearly 80 percent of their liabilities because domestic deposits are their primary source of funding. Meanwhile, banks over \$10 billion in assets pay premiums on only 47 percent of their liabilities.

So, under the current system, while small banks pay insurance premiums on nearly their entire

balance sheets, large banks pay on only half. I think we have it backwards. I think the largest banks with the riskiest investments should be responsible for paying more into the Deposit Insurance Funds than our Main Street banks that generally stay away from subprime mortgages and don't invest in mortgage backed securities or credit derivative swaps.

The absurd result of the current system is that banks with less than \$10 billion in assets pay approximately 30 percent of the total assessment base, although they hold only about 20 percent of total bank assets. This discrepancy is exacerbated by the fact that the largest institutions are "too-big-to-fail," and it can be argued that their depositors and other creditors enjoy superior protection than do the depositors and creditors of "too-small-to-save" banks.

I believe that each institution should pay an insurance fee based on risk. And where does risk come from? Not from deposits, but from the assets and investments of banks. We've seen how assets – like mortgage backed securities – can turn from assets to liabilities overnight. It's just common sense that banks with risky investments should pay more in deposit insurance premiums.

I like to compare this bill to the risk-based pricing that the banks have forced on consumers. For years, the banks have argued that risk-based pricing for their products, such as credit cards and home mortgages, is not only logical but fair because they only raise rates on those customers they feel are the greatest risk to the overall health of their institution.

Well, many of the same banks that utilize "risk-based" pricing for consumers required hundreds of billions of taxpayer dollars to survive. Their irresponsible actions not only created a huge risk for our nation's overall financial health, but also placed hundreds of billions of taxpayer dollars at risk.

Through the Bank Accountability and Risk Assessment Act of 2009, I propose that the American people impose the same risk-based assessment on the banks that they have been imposing on our constituents for years.

The FDIC has already taken a step forward in recognizing the greater risk that large, money center banks represent to the DIF. Last month, the FDIC's Board of Directors voted 4-1 to base their emergency premium assessment off a bank's assets and not their deposits. By basing the

assessment off the institutions assets and not the deposits, the FDIC has recognized that any threat to the fund through a bank failure is dependent upon the liabilities that exist in a bank's assets, not their deposits.

This was a good first step toward requiring systemically significant banks to pay their fair share into the DIF, but Congress must take action to codify this assessment base for all quarterly payments into the DIF and create a system of risk premiums for those banks deemed "too-big-to-fail."

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